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Ariz. Treasurer: State Investments Safe

PHOENIX (AP) - Other states have had runs of withdrawals from their public investment pools because of worries about their holdings in the mortgage industry but Arizona isn't in the same boat, state Treasurer Dean Martin said Friday.

Florida suspended investment pool withdrawals because of a run by local governments spooked by downgrades of that state's extensive mortgage-based holdings. Montana also had a run.

State investment pools are similar to private money-market funds. Cities, counties, school districts and other local entities invest money on a short-term basis in the funds and withdraw cash when needed to make payrolls and pay other operating costs.

Martin said Arizona reviewed its $12 billion state and local government investment pool when he took office in January and is sticking with a course of avoiding risky mortgage-related investments.

"My philosophy is safety first, then liquidity, then yield," said Martin, a Republican and a former state senator.

Martin said the Treasurer's Office invests in highly rated mortgage-related products but has never purchased any dependent on sub-prime mortgages for repayment.

In reviewing its mortgage investments, Arizona did find at least one that had a few mortgages that didn't meet standards for higher-graded investment products, Martin said. Those short-term investments haven't been renewed, he said.

Also, the Treasurer's Office started reducing its mortgage-related investments in mid-2006 when Chief Investment Officer Tim White, whom Martin promoted to that position earlier this year, realized that the housing bubble was going to burst, Martin said.

Tom Bellshe, deputy director of the League of Arizona Cities and Towns, expressed confidence in the Arizona investment pool's status.

"We won't have the same kind of problems," said Bellshe. "We feel good about the direction he's taking us in."

Arizona law requires the state to take a more conservative approach on investing than some other states and Martin has reviewed and tightened investment practices even further since he took office, Bellshe said.

Of the $12 billion in Arizona's investment fund, $5.5 billion belongs to the state, $4 billion to local governments and $2.5 billion to the state land trust. Arizona's public employees' retirement system has a separate investment fund.

A Montana budget official told lawmakers in that state on Thursday that local governments and school districts this week pulled 27 percent of the $896 million that they had in the state's short term investment pool.

Also Thursday, a Florida board chaired by Florida Gov. Charlie Christ suspended withdrawals to halt a run which saw local governments pull 40 percent of the assets from a state-operated investment pool.

"As you know, many of these investments are now non-performing and incurring losses for investors," Martin said Friday in a letter to Arizona investors. "Because we avoided these products, we will not experience any losses associated with them."

Since word of the two other state's problems has come out, only two calls have come in from Arizona local government officials "who were just double-checking," Martin said in an interview. "No panicked phone calls or anybody making major changes."